

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Spring Lake	County Ottawa
Fiscal Year End 6/30/2007	Opinion Date 12/7/2007	Date Audit Report Submitted to State 12/18/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

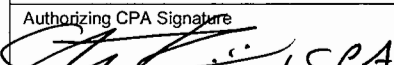
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Steven R. Kirinovic, CPA	License Number 1101022020	

**Village of Spring Lake
Ottawa County, Michigan**

FINANCIAL STATEMENTS

June 30, 2007

Village of Spring Lake

Ottawa County, Michigan

June 30, 2007

VILLAGE COUNCIL AND ADMINISTRATION

Bill Filber	President
Ryan Kelly	President Pro Tem
Mark Miller	Council Member
Scott VanStrate	Council Member
Linda Albonico	Council Member
Jeff Ferguson	Council Member
Kyle Verplank	Council Member
Ryan Cotton	Village Manager
Maribeth Lawrence	Clerk/Treasurer

Village of Spring Lake

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Principals

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ABRAHAM & GAFFNEY, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Spring Lake
Spring Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Spring Lake as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Spring Lake as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Spring Lake's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 7, 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS

1) Financial Highlights

- a) In all material regards, the Village of Spring Lake ended the fiscal year in sound financial position. All funds ended the year with positive fund equity. Total General Fund expenditures ended over budget by \$188,451 (mainly due to the accounting entries necessary to account for the recognition of disbursements to the TIFA related to redevelopment projects in the amount of \$182,178). As a result of recognizing the loan proceeds related to the above redevelopment projects of \$182,178, the Village's revenues and other financing sources also exceeded budget in the amount of \$189,969. Taking these two (2) issues into consideration, the total General Fund addition to fund balance was \$41,076, \$1,518 more than what was anticipated. All funds ended the year with cash fund balances that met or exceeded the Village Council's minimum levels. This is the first time this event occurred and is a direct reflection of the increased water rates in the fall of 2006.
- b) Net assets remained revalued from the June 30, 2003 amounts to meet actual holdings and GASB-34 requirements and in most funds, assets increased during the year.
- c) Total expenses for governmental activities totaled \$2,009,523 which is down from \$2,237,844 for fiscal year 2006. These amounts properly exclude the Downtown Development and Tax Increment Finance Authorities for both years as required by the GASB. These Authorities are reflected as Component Units.
- d) The General Fund is healthy. The fund balance increased by \$41,076. Year-end fund balance for the General Fund totaled \$353,364. This fund balance equals 24% of expenditures and other financing uses. The Village's Fiscal Guidelines calls for 15% of cash balance. When compared to the cash balance of \$243,711 the Village's reserve is found to be 16%.
- e) Attached is a chart that details the trend lines maintained of the Village's cash position and modified accrual fund equity amounts since 2002. This chart is used by the Village Administration as a budgeting and management tool.

2) Overview of Financial Statements

a) Overall financial picture.

The financial statements provide two views of the Village's financial position. At the broadest level, also called the Government-wide statements, the statements summarize all Village funds into one statement using the full accrual method of accounting. This method of accounting is similar to private sector, for-profit accounting.

i) Statement of Net Assets

The statement of Net Assets provides information on assets, liabilities and the difference between assets and liabilities, or net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health. **A trend of increasing net assets is viewed as a sign of improving condition.** The *Statement of Net Assets* is similar to a balance sheet in private sector accounting.

ii) Statement of Activities

The Statement of Activities explains the change in net assets through revenue and expense analysis. All changes in net assets are reported as the change occurs. This means the statement includes depreciation on the assets. The statement does not report any capital outlay. Capital outlay is capitalized on the Statement of Net Assets.

Village of Spring Lake, Michigan
Management Discussion and Analysis
June 30, 2007

b) Fund Focus

Traditional governmental accounting focused on individual governmental funds. These funds have not disappeared. As in the former financial model, a fund is defined as a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. Funds are used to ensure compliance with legal or regulatory compliance. Funds are classified as governmental funds, proprietary funds or fiduciary funds.

i) Governmental Funds

Governmental funds are essentially equal to governmental activities except that internal service funds are included in governmental activities and are not governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and the balances of spendable resources. In the governmental fund statements, accounting for items such as capital outlay, depreciation and debt payments are different than in the government-wide statements. In governmental funds, capital outlay and debt principal are reported on the *Statement of Revenues, Expenditures and Changes in Fund Balance*. Depreciation is not recorded. The *Balance Sheet* for governmental funds does not include any capital assets or long-term debt.

(1) Major Funds

Under GASB Statement 34, the focus shifted from the type of governmental fund to a major funds emphasis. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. Greater detail is presented in Major Funds. For the Village of Spring Lake, the following funds meet this requirement:

- General Fund
- Major Street
- Village of Spring Lake/City of Ferrysburg Police Department
- Water Fund
- Sewer Fund

(2) Nonmajor Funds

In the basic financial statements, the remaining funds are considered nonmajor funds and are consolidated into one column. These are smaller, less active funds. Detailed information about nonmajor funds can be found after the Notes to the Financial Statements.

ii) Proprietary Funds

Proprietary funds use the full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds:

- Enterprise
- Internal Service

(1) Enterprise funds are used to report business like activities. In general, these funds charge a fee for goods or services provided. The fee is expected to recover the cost of providing the goods or services. The Village of Spring Lake uses enterprise funds for water distribution and wastewater collection.

(2) Internal service funds provide goods or services to other Village activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle purchases and maintenance. The Village of Spring Lake has two internal service funds: the Central Equipment and the Police Equipment Fund.

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Management Discussion and Analysis
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iii) Component Units

The Village of Spring Lake's Annual Financial Report includes two (2) component units. Component units are separate legal entities for which the Village of Spring Lake has some level of financial accountability. The Village of Spring Lake's two (2) component units are the Downtown Development Authority and the Tax Increment Financing Authority. More information about this component unit can be found in the Notes to the financial statements and in the selected statements following the Notes.

c) Notes to the Financial Statements

Immediately after the Government-wide financial statements are the Notes to the Financial Statements. The Notes are an integral part of the financial statements. The Notes contain many additional disclosures about the financial health of the Village.

3) Financial Analysis

a) Net Assets

The Statement of Net Assets provides an overview of the Village's assets, liabilities, and net assets. As mentioned above, this can provide a good indicator of the Village's fiscal year health over time.

Below is a summarized version of the Statement of Net Assets for 2007 with comparative amounts for 2006, as required.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	Restated 2006	2007	Restated 2006	2007	Restated 2006
Assets						
Current and other assets	\$ 1,719,322	\$ 1,721,934	\$ 442,670	\$ 279,697	\$ 2,161,992	\$ 2,001,631
Capital assets	<u>6,474,260</u>	<u>5,769,861</u>	<u>4,403,603</u>	<u>4,559,235</u>	<u>10,877,863</u>	<u>10,329,096</u>
Total assets	8,193,582	7,491,795	4,846,273	4,838,932	13,039,855	12,330,727
Liabilities						
Current liabilities	496,714	307,525	206,738	179,572	703,452	487,097
Noncurrent liabilities	<u>2,529,098</u>	<u>2,752,357</u>	<u>727,435</u>	<u>868,746</u>	<u>3,256,533</u>	<u>3,621,103</u>
Total liabilities	3,025,812	3,059,882	934,173	1,048,318	3,959,985	4,108,200
Net assets						
Invested in capital assets, net of related debt	4,041,416	3,149,009	3,534,857	3,550,444	7,576,273	6,699,453
Restricted	381,151	458,698	-	-	381,151	458,698
Unrestricted	<u>745,203</u>	<u>824,206</u>	<u>377,243</u>	<u>240,170</u>	<u>1,122,446</u>	<u>1,064,376</u>
Total net assets	<u>\$ 5,167,770</u>	<u>\$ 4,431,913</u>	<u>\$ 3,912,100</u>	<u>\$ 3,790,614</u>	<u>\$ 9,079,870</u>	<u>\$ 8,222,527</u>

The total net assets of the Primary Government are \$9,079,870 up from \$8,222,527 last year. The Village has \$1,122,446 in unrestricted net assets at the end of the current year.

Village of Spring Lake, Michigan
Management Discussion and Analysis
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b) Changes in Net Assets

(i) Governmental Activities Highlights

The following table shows how activities effect changes in net assets during the fiscal year with comparative amounts from 2006.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	Restated 2006	2007	Restated 2006
Revenues						
Program revenues:						
Charges for services	\$ 265,786	\$ 318,760	\$ 806,514	\$ 803,028	\$ 1,072,300	1,121,788
Operating & capital grants & contributions	1,025,625	666,544	-	-	1,025,625	666,544
Property taxes	1,052,029	1,021,511	-	-	1,052,029	1,021,511
State shared revenues	202,392	208,490	-	-	202,392	208,490
Investment earnings	70,087	64,619	12,366	4,545	82,453	69,164
Miscellaneous	11,276	13,665	8,010	3,030	19,286	16,695
Total revenues	2,627,195	2,293,589	826,890	810,603	3,454,085	3,104,192
Expenses						
General government	427,672	275,344	-	-	427,672	275,344
Public safety	913,917	982,584	-	-	913,917	982,584
Public works	183,173	550,515	-	-	183,173	550,515
Community and economic dev.	55,552	36,553	-	-	55,552	36,553
Recreation & cultural	311,947	263,798	-	-	311,947	263,798
Other	2,638	2,586	-	-	2,638	2,586
Interest and fiscal charges	114,624	126,464	-	-	114,624	126,464
Water	-	-	301,418	306,385	301,418	306,385
Sewer	-	-	285,801	283,612	285,801	283,612
Total expenses	2,009,523	2,237,844	587,219	589,997	2,596,742	2,827,841
Change in net assets before transfers	617,672	55,745	239,671	220,606	857,343	276,351
Net transfers	118,185	84,123	(118,185)	(84,123)	-0-	-0-
Change in net assets	735,857	139,868	121,486	136,483	857,343	276,351
Restated net assets - beginning of year	4,431,913	4,292,045	3,790,614	3,654,131	8,222,527	7,946,176
Ending net assets	\$ 5,167,770	\$ 4,431,913	\$ 3,912,100	\$ 3,790,614	\$ 9,079,870	\$ 8,222,527

Total revenue from all sources totaled \$3,454,085 of which \$2,627,195 was from governmental activities and \$826,890 was from business-type activities. Total revenue from governmental activities is \$2,627,195, of which 40 % or \$1,052,029 is from property taxes. The millage rate decreased to 11.9619 out of the 20-mill charter limit.

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(1) Expenses and expenditures changes

(a) Over cost

Using a full accrual basis of accounting, the Village of Spring Lake spent \$2,009,523 on governmental activities. From this perspective, the Village depreciates capital assets. The Village spent \$913,917 on public safety or 45% of the total. (The City of Ferrysburg is a partner in the Village of Spring Lake/City of Ferrysburg Police Department and contributed \$400,024 towards its operation.) General government activities totaled \$427,672 or 21% of the total and public works expenses totaled \$183,173 or 9% of the total.

(b) Operating transfers

Significant transfers of funds between governmental funds occurred during the year. Transfers out of the General fund totaled \$456,841 the greatest portion of these being transferred into the Police Department Special Revenue Fund with the total of \$451,091. These transfers occur on an annual basis and for clarity of reporting are noted here.

(ii) Business-type Activities - Highlights

Business-type activities show an increase in net assets of \$121,486 with total revenues of \$826,890. The largest source of revenue was from charges for services, which represent 98% of revenues for business-type activities. Charges for services of proprietary funds are further detailed as follows:

- Sewer \$262,008
- Water \$544,506

(1) Village Water (Distribution)

- a. Note that this fund handles only the distribution of water to the Village of Spring Lake customers and purchases its treated water from the Northwest Ottawa Water Systems (NOWS) Fund, a joint venture of Northwest Ottawa communities.
- b. The Village Water Fund has a sufficient cash position at \$122,800; with operating revenues at \$550,824 the fund had a net increase of \$142,349 in net assets. The fund has sufficient reserves to meet its cash flow and capital needs for the immediate future. The fund balance had dropped each of the past four years due to no longer subsidizing the fund with taxes and from increased debt and operating costs for capital improvements made by NOWS. In fiscal year 2007, however, annual rate increases and system equity charges for new users were instituted to address the shortfalls. Major infrastructure projects include helping to pay for rehabilitation of the NOWS plant and Spring Lake transmission main upgrades.

(2) Village Sewer (Collection)

The Village Sewer Fund has a sufficient cash position at \$157,754; with operating revenues of \$263,700 the fund had a net decrease of \$20,863 in net assets. The fund has sufficient reserves to meet its cash flow and capital needs for the immediate future. Nevertheless, an inflationary rate increase and a sewer system equity charge were instituted in fiscal year 2007 to keep the fund healthy.

Village of Spring Lake, Michigan
Management Discussion and Analysis
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4) Financial Analysis of Individual Governmental Funds

a) General Fund

The General Fund had revenues and other financing sources of \$1,524,296 and \$1,483,220 in expenditures and other financing sources (uses). Net transfers to other funds were \$456,841, the largest going to the Village of Spring Lake/City of Ferrysburg Police Department Special Revenue Fund, pursuant to the Joint Police Commission's recommendation and the direction of the Spring Lake Village Council. The fund balance increased by \$41,076 primarily due to less expenditures than budgeted for Harbor Transit.

b) Major Street Fund

The Major Street Fund had revenues of \$370,453, slightly less (\$25,976) than was budgeted and \$415,034 in expenditures and other financing uses which were slightly less (\$45,097) than budgeted, resulting in a decrease to fund balance of \$44,581 to end the year at \$161,836 in fund balance. This fund is used to fund 12 miles of streets classified as "Major" in the Village, according to the State of Michigan criteria. As such, the Village receives state shared revenue from the State of Michigan gas tax to help cover maintenance and capital costs. A total of \$362,862 of this state shared revenue was received in fiscal year 07. If these revenues exceed the Village's incurred expenses, a portion of these funds may be transferred to the Local Street Fund to cover their operation and maintenance costs. A total of \$61,000 was transferred out to the Local Street Fund in fiscal year 07. This is similar to transfers in the past years. A duly adopted resolution of the Village Council making this transfer was forwarded to MDOT as required.

Further, the Village is engaged in a multi-year effort to rehabilitate these Major Streets. Rehabilitation is defined as sub-base repair, curb repair, driveway approaches, sidewalk repair and new driving surfaces.

The fund balance was budgeted to accrue in fiscal year 06 in anticipation of rehabilitating portions of Grandview, Jackson and North Lake Street in fiscal year 07. An eighty percent state and federal grant was secured to assist with this project. The State of Michigan Jobs Today program is providing a portion of the remaining share, as is the Major Street Fund.

c) Police Department Fund

The Police Department Fund had a decrease in fund balance of \$15,955 in fiscal year 07 bringing the total fund balance down to \$87,053. The Police Department fund had expenditures of \$878,800, slightly more (\$12,103) than budgeted and revenues and other financing sources of \$862,845, slightly more (\$5,249) than budgeted for the fiscal year. The Police Department jointly serves the City of Ferrysburg and the Village of Spring Lake with each community contributing to the fund. In fiscal year 07, the Village contributed \$451,091 and the City of Ferrysburg's contribution was \$400,024.

5) Capital Assets and Debt Administration

a) Capital Assets

i) Summary of capital assets

The Village of Spring Lake has \$6,474,260 invested in capital assets net of depreciation under governmental activities and \$4,403,603 in business-type activities. The major investments are in property, buildings and improvements, infrastructure systems within the Village, plus the sewer and water systems.

Capital assets include all purchases of assets that exceed \$5,000 and have an expected useful life greater than three years. Capital assets include: land, land improvements, streets, sidewalks, parking lots, buildings, equipment and utility systems such as water and sewer lines, sewer lift stations and water meters. The Village uses straight-line depreciation for all depreciable assets.

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Some of the major capital purchases during the year included:

- The repaving of Barber, Cutler, Maple Terrace, Grandview, Lake, and Jackson streets - \$307,609
- Municipal Service Garage Addition - \$186,482

ii) Discussion of future plans

Annually, the Village Council considers and publishes a 6-year Capital Improvement Plan. The Plan lists all major capital items that the Village Council, various Village Boards and staff envision will be needed over the next three years. Listed major projects for the next two years include:

- Central Park Improvements
- Women's Christian Temperance Union Fountain Restoration
- Lakeside Trail Resurfacing
- Sidewalk Extensions

6) Debt

a) Summary of debt

The Village of Spring Lake had \$2,943,891, down from \$2,945,886 of debt outstanding for governmental activities in FY 06. The Village had \$868,746 in debt outstanding for business-type activities as of June 30, 2007, down from \$1,000,699 in FY 06.

b) Anticipated debt

The Village of Spring Lake anticipates the long-term borrowing to finance rehabilitation of the new water plant in FY 10.

Note F of the notes to the financial statements offers more detailed information on debt and other obligations.

7) Economic Forecast

a) Main Sources of Revenue

The Village of Spring Lake has three main sources of revenue. These include property taxes, utility charges, and state shared revenue. The economic forecast for the community is dependent on these three revenues, as discussed below.

i) Tax Base

The annual change in taxable value and state equalized value of the Village is closely tracked through the Spring Lake Township Assessing Division. The following table shows property values for the recent years as well as the property valuation that will be used in the fiscal year 2007 property tax calculations. State Equalized Value (SEV) is the Assessor's estimate of 50% of market value (also called "true cash" value.) Property taxes are calculated on taxable value, not state equalized value. Taxable value is tracked in the Village's budget and is reproduced below.

Pursuant to 1994's Proposal A and related legislation, annual taxable value growth is capped, by state constitution, to 5% or the rate of inflation whichever is less. In the year when property sells, the taxable value becomes uncapped and equals to SEV.

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In future years, significant improvements to taxable value will include additional Marina Bay condominiums (32 more); the remaining Spring Lake Villa condominiums (39 more); the Alden Place Victorian Village Property Redevelopment (29 condominiums); the proposed redevelopment of Fruitport Road and Savidge on the northeast and southwest corners; and proposed eye care office and Macatawa Bank branch at Lake and Savidge. Some reductions in taxable value have occurred with various business and industrial changes during the fiscal year herein reported: demolition of residential property on West Exchange is the most notable example.

Fiscal Year	Real and Personal	TIFA Capture	Total	Percentage
2001	63,245,498	13,044,526	76,290,024	--
2002	66,576,446	14,950,729	81,527,175	6.9%
2003	69,050,368	13,436,154	82,486,522	1.2%
2004	71,575,297	14,382,156	85,957,453	4.2%
2005	79,253,537	14,441,540	93,666,077	9.0%
2006	84,747,681	15,672,472	100,420,153	7.2%

ii) State Shared Revenue

State shared revenue is the second largest source of revenue for the General Fund. It represents 15 % of General Fund revenue. State shared revenue is made of two components and based on the State sales tax rate of 6 %. The constitutional component is based on the former 4% sales tax. This portion cannot be adjusted by the legislature. This total was \$172,552 in fiscal year 2006. The statutory component is based on the additional 2 % added to the state sales tax and can be adjusted by the state legislature. This total was \$35,938 in fiscal year 2006. In both components, the overall distribution is dependent on the collection of the State sales taxes. When the economy and sales diminish, the revenue stream is reduced. When the economy and sales improve, revenue increases. Therefore, the Village of Spring Lake's General Fund is partially dependent on the overall State of Michigan economy.

In preparing the annual budgets, Village Administration uses the Michigan Department of Treasury's estimates as published on their web site. The current fund balance will enable the Village to weather any likely reductions in Fiscal Year 2007 state shared revenue, however, conservative estimates for the future are needed. The statutory share of \$35,938 is at significant risk in future state budgets.

iii) Utility and Other Major Revenue

Utility charges will likely increase, especially for water debt. Increased water debt will drive the debt service charge up as the NOWS facilities are upgraded in the next few years, including the expanded water intake and treatment plant.

Tanglefoot Park hosts over thirty recreational vehicles and twenty boat slips. Together these activities produced \$86,096 in FY 07. This represents the revenue equivalent of one mill and is 6.7% of total revenue. Cable TV franchise fees resulted in \$33,133 of revenue in FY 07. This represents almost one half mills of revenue and 2.4% of total revenue. Changes in the cable industry associated with wireless technology could reduce this amount in the near future.

Village of Spring Lake, Michigan
Management Discussion and Analysis
June 30, 2007

8) Contacting the Village's Financial Management Staff

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact us at 102 W. Savidge, Spring Lake, MI 49456, or call us at 616 842-1393 or email us at the addresses noted below:

Ryan Cotton
Village Manager
ryan@springlakevillage.org

Maribeth Lawrence
Village Clerk/Treasurer
maribeth@springlakevillage.org

Village of Spring Lake, Michigan
Management Discussion and Analysis
June 30, 2007

Trendlines: Post Audit Fiscal Year 2006

Cash Balances							
	Actual	Actual	Actual	Actual	Actual	Actual	
Funds	FY 2002	FY 2003	FY 2004	FY2005	FY 2006	FY 2007	
General	\$ 239,847	\$ 222,592	\$ 178,946	\$ 204,679	\$ 248,217	\$ 243,711	
Major Streets	74,697	56,792	65,674	127,181	197,814	149,739	
Local Streets**	5,241	18,460	25,166	49,781	56,214	47,913	
SL/FB Police	51,430	86,742	120,328	148,537	113,773	98,649	
Public Improvement	42,395	12,422	89,715	201,265	193,790	125,968	
Historic Commission	4,335	4,575	2,902	3,064	4,793	3,509	
CBDDA	5,359	5,412	4,550	5,465	4,871	4,560	
Building	18,944	19,716	1,237	12,701	27,149	26,137	
TIF*	538,823	538,823	64,474	388,247	2,013,280	2,656,890	
Water Debt Retirement	65,791	84,389	53,034	46,034	26,488	6,335	
2003 G.O. Bond (Village Hall)	-	15,807	159	11,993	48,225	53,158	
DDA Debt 1994	3,194	3,022	2,902	-	-	-	
Street Debt 2000	46,861	45,439	53,788	58,236	54,358	49,960	
VH Construction	-	23,863	163,745	37,140	-	-	
Sewer	129,727	154,101	94,869	103,085	125,487	157,754	
Water***	140,337	50,169	43,401	243	(20,643)	75,726	
Central Equip	115,093	120,331	193,017	220,007	264,504	163,692	
Central Pol Equip	50,939	42,950	32,983	36,824	36,443	43,592	
Trust and Agency	10,000	10,000	338,682	-	-	-	
Total	\$ 1,543,013	\$ 1,515,605	\$ 1,529,572	\$ 1,654,482	\$ 3,394,763	\$ 3,907,293	
*Non cash fund balance due to including school accounts payable.							
**Encumbered by \$40,000, plus or minus, of Maple Terrace final costs							
***Modified to be more conservative							

Village of Spring Lake, Michigan
Management Discussion and Analysis
June 30, 2007

Trendlines: Post Audit Fiscal Year 2006

Modified Accrual Fund							
Equity Pre GASB 34							
	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Funds	Fy 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY2007
General	\$ 338,465	\$ 274,456	\$ 264,345	\$ 250,026	\$ 269,936	\$ 312,288	\$ 353,364
Major Streets	97,069	108,959	111,812	86,457	153,005	206,417	161,836
Local Streets	61,416	58,547	50,544	36,298	55,588	56,731	53,844
SL/FB Police	27,648	49,051	92,869	112,190	142,065	103,008	87,053
Public Improvement	39,726	42,446	7,191	106,629	193,823	188,962	126,606
Historic Commission	2,897	3,380	3,646	3,419	3,917	4,359	3,521
CBDDA	4,300	5,365	5,416	5,408	5,474	4,781	4,545
Building	4,033	18,380	17,610	436	8,607	26,972	25,788
TIF	616,252	538,823	440,598	180,907	388,247	665,018	765,270
Water Debt Retirement	41,245	65,870	84,446	63,033	46,115	26,564	6,356
2003 G.O. Bond (Village Hall)	3,149	-	15,870	16,143	28,093	44,583	49,543
DDA Debt 1994	3,149	3,194	3,022	2,902	-	-	-
Street Debt 2000	47,607	46,914	47,913	66,388	58,341	54,515	50,124
VH Construction	-	-	1,417,705	46,239	33,473	-	-
Sewer*	408,386	453,661	495,169	415,662	1,011,882	981,799	961,909
Water*	1,444,800	1,556,355	1,568,044	1,637,839	2,642,248	2,642,459	2,749,259
Central Equip	158,786	199,404	246,977	373,679	450,891	491,643	479,468
Central Pol Equip	67,489	77,556	81,077	87,475	73,447	64,229	67,861
Trust and Agency	-	-	-	-	-	-	-
Total	\$ 3,366,417	\$ 3,502,361	\$ 4,954,254	\$ 3,491,130	\$ 5,565,152	\$ 5,874,328	\$ 5,946,347
*Fund equity previous year plus change in fund balance.							

BASIC FINANCIAL STATEMENTS

Village of Spring Lake

STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,012,363	\$ 279,181	\$ 1,291,544	\$ 2,661,435
Receivables	11,191	207,616	218,807	8,744
Due from other governmental units	147,443	-	147,443	310,229
Internal balances	45,500	(45,500)	-0-	-
Prepays	2,975	-	2,975	-
Total current assets	1,219,472	441,297	1,660,769	2,980,408
Noncurrent assets				
Due from other governmental units	499,850	-	499,850	-
Cash and cash equivalents - restricted	-	1,373	1,373	-
Capital assets not being depreciated	2,027,671	8,092	2,035,763	-
Capital assets, net of accumulated depreciation	4,446,589	4,395,511	8,842,100	-
Total noncurrent assets	6,974,110	4,404,976	11,379,086	-0-
TOTAL ASSETS	8,193,582	4,846,273	13,039,855	2,980,408
LIABILITIES				
Current liabilities				
Accounts payable	32,006	42,778	74,784	934,463
Accrued liabilities	22,310	2,160	24,470	-
Accrued interest payable	27,605	20,489	48,094	-
Due to other governmental units	-	-	-0-	1,276,115
Current portion of compensated absences	11,197	-	11,197	-
Current portion of long-term debt	403,596	141,311	544,907	-
Total current liabilities	496,714	206,738	703,452	2,210,578
Noncurrent liabilities				
Due to other governmental units	-	-	-0-	499,850
Noncurrent portion of long-term debt	2,529,098	727,435	3,256,533	-
Total noncurrent liabilities	2,529,098	727,435	3,256,533	499,850
TOTAL LIABILITIES	3,025,812	934,173	3,959,985	2,710,428
NET ASSETS				
Invested in capital assets, net of related debt	4,041,416	3,534,857	7,576,273	-
Restricted for:				
Debt service	78,418	-	78,418	-
Public safety	87,053	-	87,053	-
Streets	215,680	-	215,680	-
Unrestricted	745,203	377,243	1,122,446	269,980
TOTAL NET ASSETS	\$ 5,167,770	\$ 3,912,100	\$ 9,079,870	\$ 269,980

See accompanying notes to financial statements.

Village of Spring Lake
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 427,672	\$ 85,216	\$ 216,054	\$ -	\$ (126,402)	\$ -	\$ (126,402)	\$ -
Public safety	913,917	47,063	405,705	-	(461,149)	-	(461,149)	-
Public works	183,173	23,366	400,599	-	240,792	-	240,792	-
Community and economic development	55,552	-	-	-	(55,552)	-	(55,552)	-
Recreation and cultural	311,947	107,861	3,267	-	(200,819)	-	(200,819)	-
Other	2,638	2,280	-	-	(358)	-	(358)	-
Interest on long-term debt	114,624	-	-	-	(114,624)	-	(114,624)	-
Total governmental activities	2,009,523	265,786	1,025,625	-	(718,112)	-0-	(718,112)	-0-
Business-type activities								
Sewer	285,801	262,008	-	-	-	(23,793)	(23,793)	-
Water	301,418	544,506	-	-	-	243,088	243,088	-
Total business-type activities	587,219	806,514	-0-	-0-	-0-	219,295	219,295	-0-
Total primary government	<u>\$ 2,596,742</u>	<u>\$ 1,072,300</u>	<u>\$ 1,025,625</u>	<u>\$ -0-</u>	(718,112)	219,295	(498,817)	-0-
Component units								
Downtown Development Authority	\$ 455	\$ -	\$ -	\$ -	-	-	-0-	(455)
Tax Increment Finance Authority	1,801,420	-	382,590	75,000	-	-	-0-	(1,343,830)
Total component units	<u>\$ 1,801,875</u>	<u>\$ -0-</u>	<u>\$ 382,590</u>	<u>\$ 75,000</u>	-0-	-0-	-0-	(1,344,285)
General revenues								
Property taxes					1,052,029	-	1,052,029	1,122,895
State shared revenues					202,392	-	202,392	-
Investment earnings					70,087	12,366	82,453	139,243
Miscellaneous					11,276	8,010	19,286	-
Transfers					118,185	(118,185)	-0-	-
Total general revenues and transfers					1,453,969	(97,809)	1,356,160	1,262,138
Change in net assets					735,857	121,486	857,343	(82,147)
Restated net assets, beginning of the year					4,431,913	3,790,614	8,222,527	352,127
Net assets, end of the year					<u>\$ 5,167,770</u>	<u>\$ 3,912,100</u>	<u>\$ 9,079,870</u>	<u>\$ 269,980</u>

See accompanying notes to financial statements.

Village of Spring Lake
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2007

	General	Major Street
ASSETS		
Cash and cash equivalents	\$ 243,711	\$ 149,739
Accounts receivable	8,572	492
Due from other governmental units		
Federal/State	96,053	19,567
Local	523,621	-
Prepays	1,418	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 873,375</u>	<u>\$ 169,798</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 11,520	\$ 7,265
Accrued liabilities	8,641	697
Deferred revenue	499,850	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	520,011	7,962
FUND BALANCES		
Reserved for		
Prepays	1,418	-
Debt service	-	-
Unreserved		
Undesignated, reported in		
General fund	351,946	-
Special revenue funds	-	161,836
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>353,364</u>	<u>161,836</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 873,375</u>	<u>\$ 169,798</u>

See accompanying notes to financial statements.

Police Department	Nonmajor Governmental Funds	Total Governmental Funds
\$ 98,649	\$ 312,980	\$ 805,079
324	973	10,361
-	7,275	122,895
-	777	524,398
1,557	-	2,975
<u>\$ 100,530</u>	<u>\$ 322,005</u>	<u>\$ 1,465,708</u>
\$ 1,694	\$ 5,254	\$ 25,733
11,783	969	22,090
-	-	499,850
13,477	6,223	547,673
1,557	-	2,975
-	106,023	106,023
-	-	351,946
85,496	209,759	457,091
87,053	315,782	918,035
<u>\$ 100,530</u>	<u>\$ 322,005</u>	<u>\$ 1,465,708</u>

Village of Spring Lake

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2007

Total fund balance - governmental funds \$ 918,035

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 13,079,486	
Accumulated depreciation is	<u>(6,605,226)</u>	
Capital assets, net		6,474,260

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	547,329	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(300,208)</u>	
		247,121

Certain long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds	499,850
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Direct Village obligations	2,932,694	
Accrued interest payable	27,605	
Compensated absences	<u>11,197</u>	
		<u>(2,971,496)</u>

Net assets of governmental activities \$ 5,167,770

See accompanying notes to financial statements.

Village of Spring Lake

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	General	Major Street
REVENUES		
Taxes	\$ 886,588	\$ -
Licenses and permits	4,255	-
Intergovernmental	234,392	362,862
Charges for services	59,876	-
Fines and forfeits	25,373	-
Interest and rents	105,974	7,591
Other	13,160	-
	<hr/>	<hr/>
TOTAL REVENUES	1,329,618	370,453
EXPENDITURES		
Current		
General government	292,388	-
Public safety	12,806	-
Public works	216,828	116,258
Community and economic development	237,730	-
Recreation and cultural	263,989	-
Other	2,638	-
Debt service	-	-
Capital outlay	-	237,776
	<hr/>	<hr/>
TOTAL EXPENDITURES	1,026,379	354,034
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	303,239	16,419
OTHER FINANCING SOURCES (USES)		
Loan proceeds	182,178	-
Transfers in	12,500	-
Transfers out	(456,841)	(61,000)
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(262,163)	(61,000)
NET CHANGE IN FUND BALANCES	41,076	(44,581)
Fund balances, beginning of year	312,288	206,417
	<hr/>	<hr/>
Fund balances, end of year	\$ 353,364	\$ 161,836
	<hr/>	<hr/>

See accompanying notes to financial statements.

Police Department	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 165,475	\$ 1,052,063
-	43,559	47,814
405,705	248,991	1,251,950
-	-	59,876
-	-	25,373
5,049	44,877	163,491
1,000	12,468	26,628
411,754	515,370	2,627,195
-	-	292,388
878,800	46,089	937,695
-	151,766	484,852
-	-	237,730
-	3,206	267,195
-	-	2,638
-	308,147	308,147
-	322,154	559,930
878,800	831,362	3,090,575
(467,046)	(315,992)	(463,380)
-	-	182,178
451,091	246,088	709,679
-	(17,000)	(534,841)
451,091	229,088	357,016
(15,955)	(86,904)	(106,364)
103,008	402,686	1,024,399
\$ 87,053	\$ 315,782	\$ 918,035

Village of Spring Lake

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (106,364)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 988,987	
Depreciation expense	<u>(261,546)</u>	
Excess of capital outlay over depreciation expense		727,441

Internal service funds are used by management to charge the costs of certain activities to individual funds.

(Decrease) in net assets of Internal Service Funds	(8,543)	
Capital outlay of Internal Service Funds		
included in the total above	(158,422)	
Depreciation expense of Internal Service Funds		
included in the total above	<u>92,057</u>	
		(74,908)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Bond principal retirement	188,008	
Loan proceeds	<u>(182,178)</u>	
		5,830

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in due from other governmental units	182,178	
Decrease in accrued interest payable	5,515	
(Increase) in accrued compensated absences	<u>(3,835)</u>	
		183,858

Change in net assets of governmental activities \$ 735,857

See accompanying notes to financial statements.

Village of Spring Lake
Proprietary Funds
STATEMENT OF NET ASSETS
June 30, 2007

	Business-type Activities	
	Sewer Fund	Water Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 157,754	\$ 121,427
Accounts receivable	65,046	142,570
Due from other funds	-	-
Total current assets	222,800	263,997
Noncurrent assets		
Restricted cash and cash equivalents	-	1,373
Capital assets not being depreciated	-	8,092
Capital assets, net of accumulated depreciation	822,035	3,573,476
Total noncurrent assets	822,035	3,582,941
TOTAL ASSETS	1,044,835	3,846,938
LIABILITIES		
Current liabilities		
Accounts payable	18,727	24,051
Accrued liabilities	949	1,211
Accrued interest payable	-	20,489
Due to other funds	-	45,500
Current portion of long-term debt	-	141,311
Total current liabilities	19,676	232,562
Noncurrent liabilities		
Noncurrent portion of long-term debt	-	727,435
TOTAL LIABILITIES	19,676	959,997
NET ASSETS		
Invested in capital assets, net of related debt	822,035	2,712,822
Unrestricted	203,124	174,119
TOTAL NET ASSETS	\$ 1,025,159	\$ 2,886,941

See accompanying notes to financial statements.

Total	Governmental Activities	
	Internal Service Funds	
\$ 279,181	\$	207,284
207,616		830
-0-		45,500
486,797		253,614
1,373		-
8,092		-
4,395,511		300,208
4,404,976		300,208
4,891,773		553,822
42,778		6,273
2,160		220
20,489		-
45,500		-
141,311		-
252,238		6,493
727,435		-
979,673		6,493
3,534,857		300,208
377,243		247,121
\$ 3,912,100	\$	547,329

Village of Spring Lake

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2007

	Business-type Activities	
	Sewer Fund	Water Fund
OPERATING REVENUES		
Charges for services	\$ 262,008	\$ 544,506
Other	1,692	6,318
TOTAL OPERATING REVENUES	263,700	550,824
OPERATING EXPENSES		
Salaries and wages	48,226	54,198
Benefits	13,271	15,302
Supplies	4,148	39,360
Contracted services	126,514	53,431
Utilities	3,086	-
Equipment rental	30,595	-
Repairs and maintenance	12,365	-
Insurance	6,886	826
Depreciation	39,925	120,959
Other	785	891
TOTAL OPERATING EXPENSES	285,801	284,967
OPERATING INCOME (LOSS)	(22,101)	265,857
NONOPERATING REVENUES (EXPENSES)		
Interest earned	8,238	4,128
Interest and fiscal charges	-	(16,451)
TOTAL NONOPERATING REVENUES	8,238	(12,323)
INCOME (LOSS) BEFORE TRANSFERS	(13,863)	253,534
TRANSFERS OUT	(7,000)	(111,185)
CHANGE IN NET ASSETS	(20,863)	142,349
Restated net assets, beginning of year	1,046,022	2,744,592
Net assets, end of year	\$ 1,025,159	\$ 2,886,941

See accompanying notes to financial statements.

Total		Governmental Activities	
		Internal Service Funds	
\$	806,514	\$	246,863
	8,010		22,596
	814,524		269,459
	102,424		9,833
	28,573		3,067
	43,508		62,016
	179,945		515
	3,086		-
	30,595		-
	12,365		45,677
	7,712		14,205
	160,884		92,057
	1,676		6,889
	570,768		234,259
	243,756		35,200
	12,366		12,910
	(16,451)		-
	(4,085)		12,910
	239,671		48,110
	(118,185)		(56,653)
	121,486		(8,543)
	3,790,614		555,872
\$	3,912,100	\$	547,329

Village of Spring Lake

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

	Business-Type Activities	
	Sewer Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from interfund services	\$ -	\$ -
Cash receipts from customers	262,686	504,240
Cash received from others	1,692	6,318
Cash paid to employees	(48,081)	(53,933)
Cash paid for employee benefits	(13,271)	(15,302)
Cash paid to vendors	(171,997)	(43,992)
NET CASH PROVIDED BY OPERATING ACTIVITIES	31,029	397,331
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(7,000)	(111,185)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers out	-	-
Capital purchases	-	(5,252)
Proceeds from disposal of capital assets	-	-
Principal paid on bonds	-	(131,953)
Interest and fiscal charges paid	-	(16,451)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	(153,656)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	8,238	4,128
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,267	136,618
Cash and cash equivalents, beginning of year	125,487	(13,818)
Cash and cash equivalents, end of year	<u>\$ 157,754</u>	<u>\$ 122,800</u>

		Governmental Activities
		<u>Internal</u>
		<u>Service</u>
<u>Total</u>		<u>Funds</u>
\$ -0-	\$ 201,401	
766,926	-	
8,010	22,596	
(102,014)	(9,788)	
(28,573)	(3,067)	
<u>(215,989)</u>	<u>(125,682)</u>	
428,360	85,460	
(118,185)	-	
-0-	(56,653)	
(5,252)	(158,422)	
-0-	23,042	
(131,953)	-	
<u>(16,451)</u>	<u>-</u>	
(153,656)	(135,380)	
<u>12,366</u>	<u>12,910</u>	
168,885	(93,663)	
<u>111,669</u>	<u>300,947</u>	
<u>\$ 280,554</u>	<u>\$ 207,284</u>	

Village of Spring Lake

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2007

	Business-type Activities	
	Sewer Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (22,101)	\$ 265,857
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	39,925	120,959
(Increase) decrease in receivables	678	(40,266)
(Increase) in due from other funds	-	-
Increase in accounts payable	12,382	7,494
(Decrease) in accrued interest payable	-	(2,478)
Increase in accrued liabilities	145	265
Increase in due to other funds	-	45,500
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 31,029</u>	<u>\$ 397,331</u>

See accompanying notes to financial statements.

<u>Total</u>	<u>Governmental Activities</u>	
	<u>Internal Service Funds</u>	
\$ 243,756	\$	35,200
160,884		92,057
(39,588)		38
-0-		(45,500)
19,876		3,620
(2,478)		-
410		45
<u>45,500</u>		<u>-</u>
<u>\$ 428,360</u>	<u>\$</u>	<u>85,460</u>

Village of Spring Lake

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2007

	Downtown Development Authority	Tax Increment Finance Authority	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,545	\$ 2,656,890	\$ 2,661,435
Accounts receivable	15	8,729	8,744
Due from other governmental units	-	310,229	310,229
TOTAL ASSETS	4,560	2,975,848	2,980,408
LIABILITIES			
Current liabilities			
Accounts payable	-	934,463	934,463
Due to other governmental units	-	1,276,115	1,276,115
Total current liabilities	-0-	2,210,578	2,210,578
Noncurrent liabilities			
Due to other governmental units	-	499,850	499,850
TOTAL LIABILITIES	-0-	2,710,428	2,710,428
NET ASSETS			
Unrestricted	\$ 4,560	\$ 265,420	\$ 269,980

See accompanying notes to financial statements.

Village of Spring Lake

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities				
Downtown Development Authority	\$ 455	\$ -	\$ -	\$ (455)
Tax Increment Finance Authority	<u>1,801,420</u>	<u>382,590</u>	<u>75,000</u>	<u>(1,343,830)</u>
TOTALS	<u>\$ 1,801,875</u>	<u>\$ 382,590</u>	<u>\$ 75,000</u>	<u>(1,344,285)</u>
General revenues				
Property taxes				1,122,895
Investment earnings				<u>139,243</u>
Total general revenues				<u>1,262,138</u>
Change in net assets				(82,147)
Net assets, beginning of year				<u>352,127</u>
Net assets, end of year				<u>\$ 269,980</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village operates under an elected Village Council, which consists of the President and six (6) council members, with daily activities operated by the Village Manager, and Clerk/Treasurer. The Village provides services to its more than 2,500 residents in many areas including general government, law enforcement, highways and streets, and utility services.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Village governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Village of Spring Lake (primary government), and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

2. Discretely Presented Component Units

The Downtown Development Authority and the Tax Increment Finance Authority (component units) are reported in a separate column to emphasize that, while legally separate, the Village of Spring Lake remains financially accountable for these entities or the nature and significance of the relationship between these entities and the Village of Spring Lake is such that exclusion of these entities would render the financial statements misleading or incomplete.

The governing bodies of the Downtown Development Authority (DDA) and the Tax Increment Finance Authority (TIFA) are appointed by the Village Council, the budgets are subject to the approval of the Village Council, the Village temporarily relinquishes part of its tax base to the entities (tax increment revenues), and the Village has pledged its full faith and credit toward payment of the entities' debt.

3. Joint Ventures

The Village is a member of the Grand Haven - Spring Lake Sewer Authority (the Authority). The Village can appoint two (2) members to the joint venture's governing board, which then approves the annual budget. In the current year, the Village paid \$83,144 to the Authority for sewage treatment. The purpose of the Grand Haven - Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven, Village of Spring Lake, and County of Ottawa) pay a set rate to the Authority to process waste. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street).

The Village is also a member of the Northwest Ottawa Water Treatment Plant (NOWS). The Village appoints one (1) member to the joint venture's governing board, which then approves the annual budget. In the current year, the Village paid \$130,030 to the plant to purchase water. The purpose of NOWS is to acquire, construct, finance, operate, and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake, Village of Spring Lake, and County of Ottawa). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement, and debt service. The Village is unaware of any circumstances that would cause additional benefit or burden to participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street).

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's major streets.
- c. The Police Department Fund is used to account for the financial resources that are used to operate the Spring Lake/Ferrysburg police department.
- d. The Water Fund is used to account for the operations required to provide water services to the Village residents, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- e. The Sewer Fund is used to account for the operations required to provide sewer services to Village residents, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to February, the Village Manager and the Village Council develop an initial schedule of goals and objectives for the next year.
- b. During February, the various department heads develop spending plans which are based upon anticipated needs. These plans are then modified for the Manager's projections and are consolidated into a preliminary budget plan.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - continued

- c. During April, the plan is subjected to revision by the Council as considered necessary and is then formalized as a preliminary budget resolution.
- d. Prior to the end of June, a public hearing is held and the resolution is adopted.
- e. The budget is integrated with the accounting system and is used as a management control device during the year. The Village Manager is authorized to transfer budgeted amounts between accounts within the same department of any fund. Transfers between departments and funds must be approved by the Village Council.
- f. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Unexpended appropriations lapse at year-end.
- g. Budgeted amounts are as originally adopted or as amended by the Village Council during the fiscal year. Individual amendments were not material in relation to the original appropriations.

8. Cash and Cash Equivalents

The Village pools cash resources of various funds in order to facilitate the management of cash. Cash and cash equivalents applicable to a particular fund are readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in pooled investment accounts and considered cash equivalents.

9. Receivables and Due From Other Governmental Units

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Village from special assessments, and taxes levied that have not been collected. Amounts due from governmental units consist of amounts due for various programs and amounts owed from the component unit (TIFA) related to the redevelopment loans.

10. Restricted Cash and Cash Equivalents

Certain revenues and resources in the proprietary fund types are classified as restricted on the balance sheet because their use is limited. The restricted cash and cash equivalents of the Village reported in the Water Fund represent accumulated funds required to be used for the Northwest Ottawa Water Supply System construction and is held in the custody of the Ottawa County Road Commission.

11. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

Capital assets include land, buildings, equipment, vehicles, mains and infrastructure and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type columns. Capital assets are those with an initial cost of \$5,000 or more and an estimated useful life of more than three years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10-20 years
Building improvements	10-70 years
Machinery and equipment	3-15 years
Vehicles	3-10 years
Infrastructure	10-50 years
Mains	50 years

12. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

13. Accrued Compensated Absences

Substantially all Village employees are granted vacation hours up to a maximum of 200 hours at July 1 based on years of service. Employees are permitted to carry up to 40 hours of unused vacation time into the next fiscal year upon approval of the Village Manager. In the event of termination, an employee is paid for accumulated vacation hours up to the maximum.

Substantially all Village employees are allowed to accrue sick hours up to a maximum of 700 hours. The Village will pay out any excess sick hours at a rate of 40% of the employee's current rate of pay on or around January 1 every year and therefore not paid to an employee upon termination.

At retirement, Village employees receive 2% for every year of employment of their sick hours and are paid out for their entire accumulated vacation balance.

The cost of the accumulated vacation payable, including related payroll taxes, is recorded entirely in the government-wide financial statements.

14. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

15. Deferred Revenue

Deferred revenue recorded in the General Fund consists of amounts related to the due from other governmental units receivable that will be collected in future periods. This amount is not deferred in the government-wide financial statements.

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Property Tax

The Village of Spring Lake bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the Village of Spring Lake on July 1 and are payable without penalty through September 14. The July 1 levy is composed of the Village's millage. All real property taxes not paid to the Village by March 1 are turned over to the Ottawa County Treasurer for collection. The Ottawa County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the Village for subsequent collection. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted by ordinance to levy taxes up to 20.0000 mills (\$20 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2007, the Village levied 10.1839 mills per \$1,000 of taxable valuation for general governmental services and 1.7780 mills for debt. The total taxable value for the 2006 levy for the property within the Village was \$100,701,686, less a TIF captured amount of \$15,672,472.

17. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

The Internal Service Funds (Central Equipment and Police Equipment) records charges for services provided to various Village departments and funds as operating revenue. All Village funds record these payments as operating expenditures/expenses.

18. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

The Village deposits consist of a common checking account and various savings accounts, checking accounts, and pooled investment accounts, maintained by individual funds and are reported as cash and cash equivalents and investments on the basic financial statements.

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State of the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2007, the carrying amounts of the Village's deposits were \$863,047 and the bank balance was \$999,413, of which \$216,802 was covered by federal depository insurance. The balance of \$782,611 was uninsured and uncollateralized.

Investments

As of June 30, 2007, the carrying amount and market values for each investment are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
Chase Bank - Government Operating MM Fund	<u>\$ 3,091,305</u>	<u>\$ 3,091,305</u>	N/A

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2007, the Village's investment in the Government Operating Money Market Fund was rated AAA by Moody's.

Interest rate risk

The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Concentration of credit risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash, and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents or cash and cash equivalents - restricted captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2007:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,291,544	\$ 2,661,435	\$ 3,952,979
Cash and cash equivalents - restricted	<u>1,373</u>	<u>-</u>	<u>1,373</u>
	<u>\$ 1,292,917</u>	<u>\$ 2,661,435</u>	<u>\$ 3,954,352</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at June 30, 2007:

Due to internal service funds from:	
Water Fund	<u>\$ 45,500</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund from:	
Sewer Fund	\$ 6,000
Water Fund	<u>6,500</u>
	<u>\$ 12,500</u>
Transfers to Police Department Fund from:	
General Fund	<u>\$ 451,091</u>

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfers to nonmajor governmental funds from:	
General Fund	\$ 5,750
Major Street Fund	61,000
Nonmajor governmental funds	17,000
Internal service funds	56,653
Sewer Fund	1,000
Water Fund	<u>104,685</u>
	<u>\$ 246,088</u>

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,027,671	\$ -	\$ -	\$ 2,027,671
Capital assets being depreciated				
Land improvements	989,365	31,778		1,021,143
Buildings and Improvements	2,430,626	186,482	(4,800)	2,612,308
Machinery and equipment	279,718	101,109	(51,115)	329,712
Vehicles	310,876	57,313	(22,546)	345,643
Infrastructure	<u>6,130,704</u>	<u>612,305</u>	<u>-</u>	<u>6,743,009</u>
Total capital assets being depreciated	10,141,289	988,987	(78,461)	11,051,815
Less accumulated depreciation				
Land improvements	(335,293)	(43,200)	-	(378,493)
Buildings and improvements	(393,854)	(62,498)	5,280	(451,072)
Machinery and equipment	(103,117)	(32,472)	27,593	(107,996)
Vehicles	(166,874)	(63,166)	22,546	(207,494)
Infrastructure	<u>(5,399,961)</u>	<u>(60,210)</u>	<u>-</u>	<u>(5,460,171)</u>
Total accumulated depreciation	<u>(6,399,099)</u>	<u>(261,546)</u>	<u>55,419</u>	<u>(6,605,226)</u>
Net capital assets being depreciated	<u>3,742,190</u>	<u>727,441</u>	<u>(23,042)</u>	<u>4,446,509</u>
Total Net Capital Assets	<u>\$ 5,769,861</u>	<u>\$ 727,441</u>	<u>\$ (23,042)</u>	<u>\$ 6,474,260</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General government	\$ 129,019
Public safety	25,740
Public works	64,256
Recreation and cultural	<u>42,531</u>
Total depreciation expense	<u>\$ 261,546</u>

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE E: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Business-type activities				
Capital assets not being depreciated				
Land	\$ 8,092	\$ -	\$ -	\$ 8,092
Capital assets being depreciated				
Buildings and improvements	4,316,885	5,252	-	4,322,137
Mains	1,981,282	-	-	1,981,282
Machinery and equipment	557,189	-	-	557,189
Total capital assets being depreciated	6,855,356	5,252	-0-	6,860,608
Less accumulated depreciation				
Buildings and improvements	(1,464,510)	(86,000)	-	(1,550,510)
Mains	(554,168)	(46,986)	-	(601,154)
Machinery and equipment	(285,535)	(27,898)	-	(313,433)
Total accumulated depreciation	(2,304,213)	(160,884)	-0-	(2,465,097)
Net capital assets being depreciated	4,551,143	(155,632)	-0-	4,395,511
Total Net Capital Assets	\$ 4,559,235	\$ (155,632)	\$ -0-	\$ 4,403,603

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended June 30, 2007.

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Installment Loan	\$ 209,500	\$ -	\$ -	\$ 209,500	\$ 209,500
Lake Pointe Redevelopment Loan	260,000	-	-	260,000	-
Mill Point Station Loan	57,672	182,178	-	239,850	-
1998 NOWS Bonds	636,352	-	133,008	503,344	129,096
2003 G.O. Capital Improvement Bonds	1,425,000	-	30,000	1,395,000	35,000
2000 Street Construction Bonds	350,000	-	25,000	325,000	30,000
Compensated absences	7,362	49,970	46,135	11,197	8,398
Total governmental activities	2,945,886	232,148	234,143	2,943,891	411,994
Business-type Activities					
1989 NOWS Bonds	230,832	-	50,838	179,994	54,960
1989 Refunding Bonds	233,988	-	24,242	209,746	25,296
NOWS Plant Refunding Bonds	183,987	-	47,937	136,050	46,567
2002 Water Supply Bonds	261,633	-	8,936	252,697	9,929
2005 NOWS Bonds	90,259	-	-	90,259	4,559
Total business-type activities	1,000,699	-0-	131,953	868,746	141,311
TOTAL REPORTING ENTITY	\$ 3,946,585	\$ 232,148	\$ 366,096	\$ 3,812,637	\$ 556,104

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE F: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Loans

\$209,500 Installment Loan dated October 26, 2005, due in an installment of \$209,500 on July 1, 2007 with interest at 5.83 percent payable semi-annually.	\$ 209,500
\$260,000 Lake Point Redevelopment Loan, due in annual installments ranging from \$21,366 to \$26,045 with interest of 2.00 percent payable semi-annually beginning on August 26, 2010.	260,000
\$239,850 Mill Point Station Loan, due in annual installments ranging from \$19,710 to \$24,027 through 2021 with principal and interest payments of 2.00 percent payable semi-annually beginning on April 6, 2011.	<u>239,850</u>
	<u>\$ 709,350</u>

General Obligation Bonds

\$4,555,000 1998 NOWS Bonds, dated August 19, 1998, due in annual installments ranging from \$122,576 to \$129,096 through 2011, with interest ranging from 4.0 to 4.7 percent, payable semi-annually.	\$ 503,344
\$1,445,000 2003 General Obligation Capital Improvement Bonds, dated April 1, 2003, due in installments ranging from \$35,000 to \$155,000 through April 1, 2028, with interest at 2.5 to 4.5 percent, payable semi-annually.	1,395,000
\$450,000 2000 Street Construction Bonds dated April 12, 2000, due in annual installments ranging from \$30,000 to \$55,000 through October 1, 2014, with interest ranging from 5.00 to 5.40 percent, payable semi-annually.	325,000
\$4,980,000 1989 Northwest Ottawa Water System Refunding Bonds, (Village share \$684,252) Village share due in annual installments ranging from \$25,296 to \$26,350 through 2015, with interest ranging from 5.75 to 7.60 percent, payable semi-annually.	<u>209,746</u>
	<u>\$ 2,433,090</u>

Revenue Bonds

\$990,000 2005 Northwest Ottawa Water System Bonds (Village share \$90,259) dated May 26, 2005, Village share due in annual installments ranging from \$4,559 to \$10,029 through May 1, 2020, with interest ranging from 3.050 to 4.250 percent, payable semi-annually.	\$ 90,259
\$2,035,000 1989 Northwest Ottawa Water System Bonds, (Village share \$428,978) Village share due in annual installments ranging from \$54,960 to \$65,265 through 2010, with interest ranging from 6.5 to 6.7 percent, payable monthly through rates.	179,994

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE F: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Revenue Bonds - continued

\$8,380,000 1986 Northwest Ottawa Water System Plant Refunding Bonds, (Village share \$765,161) Village share due in annual installments ranging from \$43,829 to \$46,567 through 2010, with interest ranging from 5.00 to 7.40 percent, payable monthly through rates. \$ 136,050

\$2,845,000 2002 Water Supply Bonds (Village share \$282,483), dated May 1, 2001, Village share due in annual installments ranging from \$9,929 to \$29,787 through May 1, 2021, with interest ranging from 4.625 to 5.200 percent, payable semi-annually. 252,697
\$ 659,000

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amounts of these vested rights, including related payroll taxes, have been recorded in the government-wide financial statements. They amount to approximately \$11,197 at June 30, 2007.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loan are as follows:

Primary Government

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 219,392	\$ 111,122	\$ 116,015	\$ 38,050	\$ 209,500	\$ 12,383
2009	217,838	101,449	121,359	30,178	-	-
2010	221,534	91,507	126,023	22,252	26,045	-
2011	223,926	81,060	18,378	14,047	45,393	4,679
2012	101,350	73,228	19,827	13,254	41,504	8,569
2013-2017	414,050	299,399	124,839	51,496	220,309	30,052
2018-2022	330,000	215,444	132,559	16,559	166,599	7,643
2023-2027	550,000	119,576	-	-	-	-
2028	155,000	7,363	-	-	-	-
	<u>\$ 2,433,090</u>	<u>\$ 1,100,148</u>	<u>\$ 659,000</u>	<u>\$ 185,836</u>	<u>\$ 709,350</u>	<u>\$ 63,326</u>

The Ottawa County Water Supply Bonds (Village of Spring Lake System) were issued pursuant to the provisions of Act 342, Public Acts of Michigan, 1939 as amended, and pursuant to a resolution adopted by the Board of Commissioner of the County of Ottawa for the purpose of paying the cost of constructing water system improvements to service the Village. Ottawa County and the Village have entered into a contract in which the Village has agreed to pay the County for the principal and interest on the bonds as they become due and payable. Current debt service payments are funded by rates and charges for the use of the system.

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various reserved fund balances as of June 30, 2007:

Fund Balances

General Fund	
Reserved for prepaids	\$ <u>1,418</u>
Police Department Fund	
Reserve for prepaids	\$ <u>1,557</u>
Nonmajor governmental funds	
Reserved for debt service	\$ <u>106,023</u>

NOTE H: RETIREMENT PLAN

Plan Description

The Village participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's collective bargaining units only for police employees but not for general employees, and as of the December 31, 2006 valuation required contributions from the Village of 9.58% of gross wages for the general Village employees actually contributed 1.0% and 7.2% of gross wages for the police employees. In addition, the general Village employees are required to contribute 5.0% of their gross wages and the police department employees are required to contribute 9.86% of their gross wages.

Annual Pension Cost

For year ended June 30, 2007 the Village's annual pension cost of \$68,096 for the plan was equal to the Village's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years.

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE H: RETIREMENT PLAN - CONTINUED

Two (2) year trend information

	Year Ended December 31,	
	<u>2005</u>	<u>2006</u>
	(Police Employees)	(Police and General Employees)
Actuarial value of assets	\$ 991,741	\$ 1,484,685
Actuarial accrued liability (AAL) (entry age)	1,347,410	2,138,471
Unfunded AAL	355,669	653,789
Funded ratio	74 %	69 %
Covered payroll	430,530	757,973
UAAL as a percentage of covered payroll	83 %	86 %

	Year Ended June 30,	
	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 33,289	\$ 68,096
Percentage of APC contributed	100 %	100 %
Net pension obligation	-	-

This trend information was obtained from the MERS actuarial reports as of December 31, 2006.

General Village Employees

The Village also participates in a 457 qualified retirement plan covering the Village Manager, to which the Village is required to contribute 10% of the Manager's gross wages. Total contributions by the Village for the year ended June 30, 2007 were \$7,771.

Police Department

The Police Department participates in a 401(a) qualified retirement program covering qualified employees, to which the Village is required to contribute 4% of the employee's gross wages. Each participating employee is required to contribute a minimum of 1%, but no more than 10%, of gross wages. Total contributions by the Village for the year ended June 30, 2007 were \$17,210.

NOTE I: POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note H, the Village provides post-employment health care benefits to all of its retired employees who meet following eligibility requirements.

1. Retired from active employment with the Village with at least ten years of service
2. Participated in the group medical insurance program and/or the group dental insurance program provided through the Village immediately prior to their retirement
3. Retired from active employment with the Village at or after age 50

The Village paid the health care premium for two (2) retirees during the fiscal year. During the year, approximately \$13,936 was paid for post retirement health care.

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I: POST-EMPLOYMENT BENEFITS - CONTINUED

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2010.

NOTE J: RISK MANAGEMENT

The Village participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, law enforcement, auto, crime, in-land marine, boiler, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended, as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

NOTE K: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2007:

PRIMARY GOVERNMENT	
Governmental Activities	
Debt service	\$ 78,418
Public safety	87,053
Streets	<u>215,680</u>
	<u>\$ 381,151</u>

NOTE L: FLEXIBLE BENEFITS PLAN

In July 2005, the Village implemented a flexible benefit cafeteria plan established under Section 125 of the Internal Revenue Code. The plans are available to all full time or part time employees who work at least 20 hours per week.

The plan permits employees, who must pay a portion of the health insurance, to do so through a pretax compensation reduction. The plan also permits employees to reduce their compensation and apply it to medical or dependent care expenses.

The plan is administered by the Village of Spring Lake.

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE M: RESTATED NET ASSETS

Beginning net assets for Sewer Fund and Water Fund were restated to correctly record the last quarter (April 1 to June 30, 2006) of prior year utility revenues as a receivable at June 30, 2006. Net assets at June 30, 2006 for the Sewer Fund were increased by \$64,223 from \$981,799 to \$1,046,022 and net assets at June 30, 2006 for the Water Fund were increased by \$102,133 from \$2,642,459 to \$2,744,592.

NOTE N: CONTINGENT LIABILITIES

There are various potential legal actions pending against the Village that normally occur as a result of government operations. Due to the inconclusive nature of many of the actions, it is not possible for Municipal Council to determine the probable outcome or a reasonable estimate of the potential liability, if any. These actions, for which a reasonable estimate can be determined of the potential liability, if any, are considered by Village management and legal counsel to be immaterial.

As disclosed in Note A #3, the Village is a member of both the Grand Haven-Spring Lake Sewer authority and the Northwest Ottawa Water Treatment Plant. The Village, along with the other participating municipalities, has pledged their full faith and credit for repayment of the outstanding debt of these two (2) governmental entities. For all debt, the amount the Village is required to contribute to these entities for repayment of the debt is not a fixed amount, but is based on the volume of water purchased and is included in the rate charged by these entities. The Village is still liable for the share of the debts even if they do not collect enough fees in the future to cover these payments.

NOTE O: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated. The approved budgets of the Village have been adopted at the functional level for the General and Special Revenue Funds.

During the year ended June 30, 2007, the Village incurred expenditures in the General Fund, Police Department Fund, Local Street Fund, and Historic Commission Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Village Manager	\$ 90,250	\$ 94,587	\$ 4,337
Village hall and grounds	51,331	53,056	1,725
Barber Street School	17,812	18,126	314
Public works			
Public works	147,592	150,409	2,817
Maintenance	13,852	15,857	2,005
Community and economic development			
Planning and zoning	53,188	55,552	2,364
Redevelopment projects	-	182,178	182,178
Recreation and cultural			
Tanglefoot park	32,550	32,774	224

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE O: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Police Department Fund Public safety	\$ 866,697	\$ 878,800	\$ 12,103
Local Street Fund Capital outlay	104,100	108,248	4,148
Historic Commission Fund Recreation and cultural	2,873	3,206	333

NOTE P: SUBSEQUENT EVENTS

On September 5, 2007, the Village refinanced its \$209,500 installment loan. The installment loan is amended from annual to semi-annual interest only payments to extend the maturity date to July 1, 2012, at which time the entire unpaid balance of principal and accrued interest is due and payable in full. The financing also amended the interest rate from July 1, 2007 through June 30, 2012 to 7.39%.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Spring Lake

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property taxes	\$ 863,062	\$ 862,993	\$ 865,720	\$ 2,727
Penalties and interest	5,000	8,382	8,838	456
Administration fees	11,912	11,995	12,030	35
Total taxes	879,974	883,370	886,588	3,218
Licenses and permits	4,400	4,240	4,255	15
Intergovernmental				
State	209,539	209,539	202,392	(7,147)
Local	32,000	32,000	32,000	-0-
Total intergovernmental	241,539	241,539	234,392	(7,147)
Charges for services				
Cable TV franchise fees	29,500	31,600	33,133	1,533
Cellular tower usage	12,000	12,000	12,000	-0-
Zoning fees	4,000	-	-	-0-
Housing inspection fees	2,250	2,795	2,945	150
Launch ramp fees	6,500	5,180	5,920	740
Other charges for services	3,000	4,688	5,878	1,190
Total charges for services	57,250	56,263	59,876	3,613
Fines and forfeits	18,300	23,485	25,373	1,888
Interest and rents				
Interest	4,500	4,500	12,568	8,068
Rentals	83,190	90,054	93,406	3,352
Total interest and rents	87,690	94,554	105,974	11,420
Other				
Refunds and reimbursements	10,000	10,000	5,745	(4,255)
Other	1,800	8,376	7,415	(961)
Total other	11,800	18,376	13,160	(5,216)
TOTAL REVENUES	1,300,953	1,321,827	1,329,618	7,791
EXPENDITURES				
General government				
Village Council	10,206	15,227	13,212	2,015
Village Manager	95,691	90,250	94,587	(4,337)
Clerk-Treasurer	101,562	94,810	92,735	2,075

Village of Spring Lake

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
General government - continued				
Village hall and grounds	\$ 52,552	\$ 51,331	\$ 53,056	\$ (1,725)
Attorney	21,800	21,800	20,672	1,128
Barber Street School	21,408	17,812	18,126	(314)
Total general government	303,219	291,230	292,388	(1,158)
Public safety				
Fire department	12,970	12,970	12,806	164
Public works				
Public works	157,953	147,592	150,409	(2,817)
Maintenance	10,500	13,852	15,857	(2,005)
Street lighting	45,000	50,890	50,562	328
Total public works	213,453	212,334	216,828	(4,494)
Community and economic development				
Planning and zoning	46,449	53,188	55,552	(2,364)
Redevelopment projects	-	-	182,178	(182,178)
Total community and economic development	46,449	53,188	237,730	(184,542)
Recreation and cultural				
Tanglefoot park	32,317	32,550	32,774	(224)
Park maintenance	140,097	148,947	147,848	1,099
Community promotion	55,208	72,479	71,937	542
Recreation department	14,599	11,430	11,430	-0-
Total recreation and cultural	242,221	265,406	263,989	1,417
Other	2,800	2,800	2,638	162
TOTAL EXPENDITURES	821,112	837,928	1,026,379	(188,451)
EXCESS OF REVENUES OVER EXPENDITURES	479,841	483,899	303,239	(180,660)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	182,178	182,178
Transfers in	12,500	12,500	12,500	-0-
Transfers out	(476,206)	(456,841)	(456,841)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	(463,706)	(444,341)	(262,163)	182,178
NET CHANGE IN FUND BALANCE	16,135	39,558	41,076	1,518
Fund balance, beginning of year	312,288	312,288	312,288	-0-
Fund balance, end of year	\$ 328,423	\$ 351,846	\$ 353,364	\$ 1,518

Village of Spring Lake

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - Federal/State	\$ 329,614	\$ 395,429	\$ 362,862	\$ (32,567)
Interest	1,000	1,000	7,591	6,591
TOTAL REVENUES	330,614	396,429	370,453	(25,976)
EXPENDITURES				
Current				
Public works	125,458	123,814	116,258	7,556
Capital outlay	255,317	275,317	237,776	37,541
TOTAL EXPENDITURES	380,775	399,131	354,034	45,097
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(50,161)	(2,702)	16,419	19,121
OTHER FINANCING USES				
Transfers out	(51,000)	(61,000)	(61,000)	-0-
NET CHANGE IN FUND BALANCE	(101,161)	(63,702)	(44,581)	19,121
Fund balance, beginning of year	206,417	206,417	206,417	-0-
Fund balance, end of year	\$ 105,256	\$ 142,715	\$ 161,836	\$ 19,121

Village of Spring Lake

Police Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental				
State	\$ 3,000	\$ 5,022	\$ 5,022	\$ -0-
Local	420,522	400,683	400,683	-0-
Interest and rents	-	-	5,049	5,049
Other	-	800	1,000	200
TOTAL REVENUES	423,522	406,505	411,754	5,249
EXPENDITURES				
Public safety	933,728	866,697	878,800	(12,103)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(510,206)	(460,192)	(467,046)	(6,854)
OTHER FINANCING SOURCES				
Transfers in	474,206	451,091	451,091	-0-
NET CHANGE IN FUND BALANCE	(36,000)	(9,101)	(15,955)	(6,854)
Fund balance, beginning of year	103,008	103,008	103,008	-0-
Fund balance, end of year	\$ 67,008	\$ 93,907	\$ 87,053	\$ (6,854)



OTHER SUPPLEMENTARY INFORMATION

Village of Spring Lake
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2007

	Special Revenue			
	Local Street	Public Improvement	Historic Commission	Building Department
ASSETS				
Cash and cash equivalents	\$ 47,913	\$ 125,968	\$ 3,509	\$ 26,137
Accounts receivable	157	414	12	86
Due from other governmental units				
State	7,075	200	-	-
Local	-	777	-	-
TOTAL ASSETS	\$ 55,145	\$ 127,359	\$ 3,521	\$ 26,223
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 767	\$ 753	\$ -	\$ -
Accrued liabilities	534	-	-	435
TOTAL LIABILITIES	1,301	753	-0-	435
FUND BALANCES				
Reserved for debt service	-	-	-	-
Unreserved				
Undesignated, reported in:				
Special revenue funds	53,844	126,606	3,521	25,788
TOTAL FUND BALANCES	53,844	126,606	3,521	25,788
TOTAL LIABILITIES AND FUND BALANCES	\$ 55,145	\$ 127,359	\$ 3,521	\$ 26,223

2000 Street	Debt Service		Total Nonmajor Governmental Funds
	Northwest Ottawa Water Supply	2003 Village Hall	
\$ 49,960 164	\$ 6,335 21	\$ 53,158 119	\$ 312,980 973
-	-	-	7,275
-	-	-	777
<u>\$ 50,124</u>	<u>\$ 6,356</u>	<u>\$ 53,277</u>	<u>\$ 322,005</u>
\$ -	\$ -	\$ 3,734	\$ 5,254
-	-	-	969
-0-	-0-	3,734	6,223
50,124	6,356	49,543	106,023
-	-	-	209,759
<u>50,124</u>	<u>6,356</u>	<u>49,543</u>	<u>315,782</u>
<u>\$ 50,124</u>	<u>\$ 6,356</u>	<u>\$ 53,277</u>	<u>\$ 322,005</u>

Village of Spring Lake

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	Special Revenue			
	Local Street	Public Improvement	Historic Commission	Building Department
REVENUES				
Taxes	\$ -	\$ 70,643	\$ -	\$ -
Licenses and permits	-	-	-	43,559
Intergovernmental	132,276	81,715	-	-
Interest and rents	2,449	6,307	177	1,346
Other	-	10,277	2,191	-
TOTAL REVENUES	134,725	168,942	2,368	44,905
EXPENDITURES				
Current				
Public safety	-	-	-	46,089
Public works	101,364	50,402	-	-
Recreation and cultural	-	-	3,206	-
Debt service				
Principal	-	-	-	-
Interest	-	12,393	-	-
Capital outlay	108,248	213,906	-	-
TOTAL EXPENDITURES	209,612	276,701	3,206	46,089
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(74,887)	(107,759)	(838)	(1,184)
OTHER FINANCING SOURCES (USES)				
Transfers in	72,000	62,403	-	-
Transfers out	-	(17,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	72,000	45,403	-0-	-0-
NET CHANGE IN FUND BALANCES	(2,887)	(62,356)	(838)	(1,184)
Fund balances, beginning of year	56,731	188,962	4,359	26,972
Fund balances, end of year	<u>\$ 53,844</u>	<u>\$ 126,606</u>	<u>\$ 3,521</u>	<u>\$ 25,788</u>

2000 Street	Debt Service		Total Nonmajor Governmental Funds
	Northwest Ottawa Water Supply	2003 Village Hall	
\$ 27,904	\$ -	\$ 66,928	\$ 165,475
-	-	-	43,559
-	35,000	-	248,991
2,565	270	31,763	44,877
-	-	-	12,468
30,469	35,270	98,691	515,370
-	-	-	46,089
-	-	-	151,766
-	-	-	3,206
25,000	133,008	30,000	188,008
17,860	26,155	63,731	120,139
-	-	-	322,154
42,860	159,163	93,731	831,362
(12,391)	(123,893)	4,960	(315,992)
8,000	103,685	-	246,088
-	-	-	(17,000)
8,000	103,685	-0-	229,088
(4,391)	(20,208)	4,960	(86,904)
54,515	26,564	44,583	402,686
\$ 50,124	\$ 6,356	\$ 49,543	\$ 315,782

Village of Spring Lake

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2007

	Central Equipment	Police Equipment	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 163,692	\$ 43,592	\$ 207,284
Accounts receivable	687	143	830
Due from other funds	45,500	-	45,500
Total current assets	209,879	43,735	253,614
Noncurrent assets			
Capital assets, net of accumulated depreciation	271,381	28,827	300,208
TOTAL ASSETS	481,260	72,562	553,822
LIABILITIES			
Current liabilities			
Accounts payable	1,572	4,701	6,273
Accrued liabilities	220	-	220
TOTAL LIABILITIES	1,792	4,701	6,493
NET ASSETS			
Invested in capital assets	271,381	28,827	300,208
Unrestricted	208,087	39,034	247,121
TOTAL NET ASSETS	\$ 479,468	\$ 67,861	\$ 547,329

Village of Spring Lake

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS

Year Ended June 30, 2007

	Central Equipment	Police Equipment	Total
OPERATING REVENUES			
Charges for services	\$ 173,312	\$ 73,551	\$ 246,863
Other	12,361	10,235	22,596
TOTAL OPERATING REVENUES	185,673	83,786	269,459
OPERATING EXPENSES			
Salaries and wages	9,833	-	9,833
Benefits	3,067	-	3,067
Supplies	29,292	32,724	62,016
Contracted services	309	206	515
Repairs and maintenance	25,732	19,945	45,677
Insurance	10,396	3,809	14,205
Depreciation	66,316	25,741	92,057
Other	6,889	-	6,889
TOTAL OPERATING EXPENSES	151,834	82,425	234,259
OPERATING INCOME	33,839	1,361	35,200
NONOPERATING REVENUES			
Interest earned	10,639	2,271	12,910
INCOME BEFORE TRANSFERS	44,478	3,632	48,110
TRANSFERS OUT	(56,653)	-	(56,653)
CHANGE IN NET ASSETS	(12,175)	3,632	(8,543)
Net assets, beginning of year	491,643	64,229	555,872
Net assets, end of year	\$ 479,468	\$ 67,861	\$ 547,329

Village of Spring Lake

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

	Central Equipment	Police Equipment	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services	\$ 127,888	\$ 73,513	\$ 201,401
Cash received from others	12,361	10,235	22,596
Cash paid to employees	(9,788)	-	(9,788)
Cash paid for employees benefits	(3,067)	-	(3,067)
Cash paid to vendors	(72,449)	(53,233)	(125,682)
NET CASH PROVIDED BY OPERATING ACTIVITIES	54,945	30,515	85,460
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers out	(56,653)	-	(56,653)
Capital purchases	(132,785)	(25,637)	(158,422)
Proceeds from disposal of capital assets	23,042	-	23,042
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(109,743)	(25,637)	(135,380)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	10,639	2,271	12,910
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(100,812)	7,149	(93,663)
Cash and cash equivalents, beginning of year	264,504	36,443	300,947
Cash and cash equivalents, end of year	<u>\$ 163,692</u>	<u>\$ 43,592</u>	<u>\$ 207,284</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 33,839	\$ 1,361	\$ 35,200
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	66,316	25,741	92,057
(Increase) decrease in accounts receivable	76	(38)	38
(Increase) in due from other funds	(45,500)	-	(45,500)
Increase in accounts payable	169	3,451	3,620
Increase in accrued liabilities	45	-	45
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 54,945</u>	<u>\$ 30,515</u>	<u>\$ 85,460</u>

Village of Spring Lake

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2007

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ 4,545
Accounts receivable	15
TOTAL ASSETS	<u>\$ 4,560</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$ -
FUND BALANCE	
Unreserved	
Undesignated	<u>4,560</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,560</u>

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for this component unit is not required as the component unit's fund balance was equal to the component unit's net assets as of June 30, 2007.

Village of Spring Lake

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2007

	Special Revenue
REVENUES	
Interest	<u>\$ 234</u>
EXPENDITURES	
Current	
Community and economic development	<u>455</u>
NET CHANGE IN FUND BALANCE	(221)
Fund balance, beginning of year	<u>4,781</u>
Fund balance, end of year	<u><u>\$ 4,560</u></u>

Note: Reconciliation of the statement of revenues, expenditures and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended June 30, 2007.

Village of Spring Lake

Component Unit Funds

BALANCE SHEET - TAX INCREMENT FINANCE AUTHORITY

June 30, 2007

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ 2,656,890
Accounts receivable	8,729
Due from other governmental units	<u>310,229</u>
TOTAL ASSETS	<u>\$ 2,975,848</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 934,463
Due to other governmental units	<u>1,276,115</u>
TOTAL LIABILITIES	2,210,578
FUND BALANCE	
Unreserved	
Undesignated	<u>765,270</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,975,848</u>

Village of Spring Lake

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - TAX INCREMENT FINANCE AUTHORITY

June 30, 2007

Total fund balance - governmental fund -	\$	765,270
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Due to other governmental units	<u>(499,850)</u>
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Net assets of governmental activities	\$	<u>265,420</u>
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Village of Spring Lake

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - TAX INCREMENT FINANCE AUTHORITY

Year Ended June 30, 2007

	<u>Special Revenue</u>
REVENUES	
Taxes	\$ 1,122,895
Intergovernmental	
State	382,590
Local	182,178
Other	75,000
Interest	<u>139,009</u>
TOTAL REVENUES	1,901,672
EXPENDITURES	
Current	
Recreation and cultural	24,182
Community and economic development	<u>1,777,238</u>
TOTAL EXPENDITURES	<u>1,801,420</u>
NET CHANGE IN FUND BALANCE	100,252
Fund balance, beginning of year	<u>665,018</u>
Fund balance, end of year	<u><u>\$ 765,270</u></u>

Village of Spring Lake

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - TAX INCREMENT FINANCE AUTHORITY

Year Ended June 30, 2007

Net change in fund balance - governmental fund	\$	100,252
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Amounts reported for governmental activities in the statement of activities are different because:

Certain long-term amounts received from other governmental units (primary government) are reported as intergovernmental revenues in governmental funds, but the amounts result in an increase in noncurrent liabilities in the statement of net assets. In the current year, these amounts consist of:

Intergovernmental revenues from the primary government	<u>(182,178)</u>
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Change in net assets of governmental activities	\$	<u>(81,926)</u>
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Village of Spring Lake

SCHEDULE OF BONDED INDEBTEDNESS

June 30, 2007

Fiscal year ending June 30,	Governmental			
	Installment Loan		Lake Pointe Redevelopment Loan	
	Principal	Interest	Principal	Interest
2008	\$ 209,500	\$ 12,383	\$ -	\$ -
2009	-	-	-	-
2010	-	-	26,045	-
2011	-	-	21,366	4,679
2012	-	-	21,794	4,252
2013	-	-	22,229	3,816
2014	-	-	22,674	3,371
2015	-	-	23,128	2,918
2016	-	-	23,590	2,455
2017	-	-	24,062	1,983
2018	-	-	24,543	1,502
2019	-	-	25,034	1,011
2020	-	-	25,535	511
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 209,500</u>	<u>\$ 12,383</u>	<u>\$ 260,000</u>	<u>\$ 26,498</u>

Activities			
1998 NOWS Bonds		2003 General Obligation Capital Improvement Bonds	
Principal	Interest	Principal	Interest
\$ 129,096	\$ 20,179	\$ 35,000	\$ 62,681
126,488	14,397	35,000	61,631
125,184	8,640	35,000	60,494
122,576	2,881	35,000	59,269
-	-	35,000	57,956
-	-	35,000	56,600
-	-	30,000	55,200
-	-	35,000	53,850
-	-	40,000	52,275
-	-	45,000	50,475
-	-	50,000	48,450
-	-	60,000	46,200
-	-	65,000	43,425
-	-	75,000	40,419
-	-	80,000	36,950
-	-	90,000	33,250
-	-	100,000	29,088
-	-	110,000	24,464
-	-	120,000	19,237
-	-	130,000	13,537
-	-	155,000	7,363
<u>\$ 503,344</u>	<u>\$ 46,097</u>	<u>\$ 1,395,000</u>	<u>\$ 912,814</u>

Village of Spring Lake

SCHEDULE OF BONDED INDEBTEDNESS - CONTINUED

June 30, 2007

Fiscal year ending June 30,	Governmental activities - continued			
	2000 Street			
	Construction Bonds		Mill Point Loan	
	Principal	Interest	Principal	Interest
2008	\$ 30,000	\$ 16,210	\$ -	\$ -
2009	30,000	14,710	-	-
2010	35,000	13,085	-	-
2011	40,000	11,170	24,027	-
2012	40,000	9,080	19,710	4,317
2013	45,000	15,918	20,105	3,922
2014	50,000	4,308	20,507	3,520
2015	55,000	1,485	20,917	3,110
2016	-	-	21,335	2,692
2017	-	-	21,762	2,265
2018	-	-	22,197	1,830
2019	-	-	22,641	1,386
2020	-	-	23,094	933
2021	-	-	23,555	470
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 325,000</u>	<u>\$ 85,966</u>	<u>\$ 239,850</u>	<u>\$ 24,445</u>

Business-type activities

1989 NOWS Bonds		1989 Refunding Bonds	
Principal	Interest	Principal	Interest
\$ 54,960	\$ 12,002	\$ 25,296	\$ 12,052
59,769	8,127	26,350	10,711
65,265	4,242	26,350	9,288
-	-	26,350	7,740
-	-	26,350	6,192
-	-	26,350	4,644
-	-	26,350	3,096
-	-	26,350	1,548
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 179,994	\$ 24,371	\$ 209,746	\$ 55,271

Village of Spring Lake

SCHEDULE OF BONDED INDEBTEDNESS - CONTINUED

June 30, 2007

Fiscal year ending June 30,	Business-type			
	NOWS Plant		2005 NOWS Bonds	
	Refunding Bonds			
	Principal	Interest	Principal	Interest
2008	\$ 46,567	\$ 10,021	\$ 4,559	\$ 3,453
2009	45,654	6,622	5,014	3,314
2010	43,829	3,243	5,014	3,157
2011	-	-	5,470	2,997
2012	-	-	5,926	2,811
2013	-	-	6,382	2,603
2014	-	-	6,838	2,370
2015	-	-	7,294	2,110
2016	-	-	7,750	1,826
2017	-	-	8,205	1,516
2018	-	-	8,661	1,177
2019	-	-	9,117	814
2020	-	-	10,029	426
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 136,050</u>	<u>\$ 19,886</u>	<u>\$ 90,259</u>	<u>\$ 28,574</u>

activities - continued

2002 Water Supply Bonds		Total Requirements	
Principal	Interest	Principal	Interest
\$ 9,929	\$ 12,574	\$ 544,907	\$ 161,555
10,922	12,115	339,197	131,627
11,915	11,610	373,602	113,759
12,908	11,050	287,697	99,786
13,901	10,443	162,681	95,051
14,894	9,790	169,960	97,293
15,887	9,075	172,256	80,940
17,376	8,304	185,065	73,325
19,362	7,435	112,037	66,683
20,851	6,467	119,880	62,706
22,837	5,404	128,238	58,363
24,823	4,234	141,615	53,645
27,305	2,955	150,963	48,250
29,787	1,549	128,342	42,438
-	-	80,000	36,950
-	-	90,000	33,250
-	-	100,000	29,088
-	-	110,000	24,464
-	-	120,000	19,237
-	-	130,000	13,537
-	-	155,000	7,363
<u>\$ 252,697</u>	<u>\$ 113,005</u>	<u>\$ 3,801,440</u>	<u>\$ 1,349,310</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Honorable President and
Members of the Village Council
Village of Spring Lake
Spring Lake, Michigan

As you know, we have recently completed our audit of the records of the Village of Spring Lake, Michigan as of and for the year ended June 30, 2007. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

The Village should prepare for implementation of GASB Statement No. 45.

The Governmental Accounting Standards Board has recently issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the Village of Spring Lake the year ended June 30, 2010.

The Village is subject to this new standard in that it pays a percentage of health and dental insurance premiums for certain retirees up to age 65.

We would like the Council to be aware of this upcoming change and also suggest that the Village begin to discuss options for calculating the amount of the liability. The Council has the option of contracting with an actuary to determine the liability and required contribution amount or calculating the liability and required contribution amount using an alternate method described in GASB Statement No. 45. This issue was noted and reported in our audit comments last year.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated December 7, 2007.

This report is intended solely for the information of management and the President and Members of the Village Council of the Village of Spring Lake and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 7, 2007

East Lansing ■ Rochester Hills ■ St. Johns

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Honorable President and
Members of the Village Council
Village of Spring Lake
Spring Lake, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Spring Lake for the year ended June 30, 2007, and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Spring Lake's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control over financial reporting, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

2007-1 FRAUD RISK MANAGEMENT PROGRAM

During the course of our audit, we noted that the Village has not developed or implemented a fraud risk management program. As of the end of fieldwork a policy was in draft form but had not been implemented yet by the Village. Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

2007-1 FRAUD RISK MANAGEMENT PROGRAM - CONTINUED

Due to the Village not adopting and implementing their draft fraud risk assessment and monitoring program yet, the Village is unable to assess the Village's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements.

We recommend that the Village adopt and formally implement their draft fraud risk management program. As the Village adopts this program, they should assure the fraud risk management program contains activities such as actively searching for fraudulent transactions through the use of techniques such as data mining, but should also include informing management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the Village, and instructions for reporting fraud within the chain of command.

2007-2 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries to properly account for certain transactions that occurred during the year were proposed by the auditors. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls and should not be proposing material journal entries.

We recommend that the Village take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

2007-3 PRIOR PERIOD ADJUSTMENTS

As indicated in the basic financial statements, beginning net assets were restated for the Sewer Fund and the Water Fund to correctly reflect the amount of last quarter of utility revenues from the prior year. In the past these funds always contained four (4) quarterly billings but due to timing they were always chronologically off one quarter that resulted in a timing difference from the beginning of the year to the end of the year. This difference was material to the Water and Sewer Funds. Entries were posted by the auditors this year to correct this timing difference so amounts were accurate at June 30, 2007.

We recommend that the Village review procedures in the areas where these adjustments were noted and take steps to ensure that the Village record revenues within proper period so that there is no recurrence of similar issues.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We believe that the significant deficiencies described above as 2007-2 and 2007-3 are material weaknesses.

Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we became aware of a certain matter that is an opportunity for the Village to strengthen management's control and the operational efficiency of the accounting functions. This suggestion is a result of our evaluation of the Village's internal controls and our discussions with management. However, providing an opinion on other matters was not an objective of our audit, and accordingly, we do not express such an opinion.

2007-4 EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the course of our audit, we noted instances where expenditures had been incurred in excess of amounts appropriated. This issue was noted in the General Fund, Police Department Fund, Historic Commission Fund, and Local Street Fund. This issue was noted and reported in our audit comments last year.

Michigan Public Act 621 of 1978, as amended, provides that the Board shall adopt formal budgets for the General and all Special Revenue funds and shall not incur expenditures in excess of the amounts appropriated. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

We recommend that the Village management monitor adopted budgets against actual expenditures and make adjustments as appropriate throughout the year.

We noted certain matters that we reported to management of the Village Board in a separate letter dated December 7, 2007.

This report is intended solely for the information and use of the Village Council and management of the Village of Spring Lake, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." in a cursive script.

ABRAHAM & GAFFNEY P.C.
Certified Public Accountants

December 7, 2007